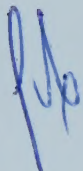


AR79

CED

**8TH ANNUAL REPORT
1970**



D. B. LANGFORD

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
TORONTO-DOMINION CENTRE, TORONTO, ONT.
(416) 366-1035

Creation of processes and products, of ideas and industries, depends on men more than money, on imagination as well as initiative. Seek out creative men with the vision of things to be done. Help breathe life into new ideas and processes and products with capital — and with more than capital — with sensitive appreciation for creative drive; with support in management and manpower; with loyalty to the idea and to its initiator, the creative man.

WHAT IS CED?

The following description of our activities has been adapted from comments by General Georges F. Doriot in the 1969 Annual Report of American Research and Development Corporation. It summarizes his 25 years of experience in venture capital, and it summarizes the purpose of CED in Canada.

Canadian Enterprise Development Corporation Limited was formed in 1962 by a group of foresighted institutional investors who recognized the need in Canada for a source of venture or risk capital. Because CED's operations and objectives are different from other enterprises, we are anxious that those who are interested enough to read this Report have at least a basic understanding of the nature of the work in which we are engaged.

What is the nature of our work, of our problems? Fundamentally, our task can be stated as:

"Giving life to a combination of men and ideas. We therefore have to find men and ideas, relate them to one another, fit them together and have the combination become successful."

It is, of course, hard to foresee the probable development of an individual or of an idea. A particular person may have performed very well in a certain environment at a particular time with the cooperation of a team. When transplanted, with a new set of environmental factors, he may do poorly. A person may be a good promoter, a good starter, a good life-giving person to an idea; he may do very well indeed for a period and later on, when there is need for more organizational ability, when he has to face harder competition which his own imagination and success may have created, he may fail.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

Head Office: 967 Sun Life Building, Montreal, Canada (514) 868-2764

Western Office: 914-1111 West Hastings Street, Vancouver, Canada (604) 684-3271

Ontario Office: 1400 Toronto Dominion Centre, Toronto, Canada (416) 366-1035

It is commonplace to state that men are all important in a business and, of course, it is so. We have to evaluate a man's ability not only as a builder and a manager, but also with reference to his abilities in the technical field within which he plans to operate. We have to judge his ability to understand and master technical problems in his field much more than we ourselves can judge those technical problems. We may back ventures in entirely new fields where there are really no experts available. Our judgment has to be a judgment of the principal's ability to gauge the existence of opportunities in the new field.

Superior men must have a sense of accomplishment. They must be given an opportunity to build. They must be able to do so at an earlier age than would be possible in a large company. They must see and feel the results of their work.

The idea may be related to a product, a service, or a method. It has to be meaningful and have practical applications. There must be a demand for it, though in some cases it may be interesting enough to create its own demand.

The idea may involve new technology or services. It may also refresh an every-day or commonplace activity by providing a different or more comprehensive aspect.

It should be understood and appreciated that a careful, intelligent, constructive, well conducted investigation can lead to a venture with far better hopes of success. Even a negative answer can be a help to a prospective principal who may be misled by poorly conceived ideas and hopes.

CED specializes in selecting, studying, backing up what seem like worthwhile and practical hopes. Then with the leadership and hard work of those fine men who ask CED to share their hopes and support them, we work hard to transform their hopes into realities.

It is almost impossible to give a fair idea of the problems of launching new companies to anyone who has not done so.

The stories of success are well known and alluring.

The stories of failure are usually ignored and, of course, memory is so short!

The story of progress, be it in a laboratory or industry and commerce, is made up of failures and successes. One must learn from failures, accept them with courage, and one must take success, whenever it comes, with modesty.

One should be very careful, therefore, before extrapolating past results. A year is a very short period in the life of a company such as CED.

The words "newness" and "innovation" have become very popular, very acceptable, very tempting. Newness is supposed to solve all our problems. There is nothing wrong with that as long as it is understood that in themselves these words have little meaning unless:

- Proper selection is made.
- Useful, constructive life is imparted to the idea.
- One builds soundly and fairly quickly, because new ideas often have very short lives.
- A new idea in itself may be worth little unless it can be the beginning of a family or a succession of useful and related new ideas.

In a world where almost everyone craves for self-renewal, for newness, for change, it is easy to plunge in and support any new idea even though the idea may be new only to the supporter or to its backers. CED tries to proceed cautiously and conservatively in an environment of risk taking and uncertainty. CED is not interested in fads even though they might prove profitable in the short run. We support a venture after careful investigation and analysis and we make every effort to avoid loss and make the venture successful. CED believes in caution, frugality, time tested methods and emphasis on the long pull.

Venture capital as CED practises it is not solely a financial operation. Money is one of the many tools necessary. It is never the most important tool.

What does CED do for companies? Our answers are along the following lines:—

If sometimes one feels lonely or wonders what to do or feels the need of knowledge, advice, help or friendship; if one wishes he had experience in handling certain types of problems and situations; if one wishes to have someone to talk to even though sometimes it is not clear what to ask or talk about — then probably CED can be of help.

Whatever help CED might be able to give will not remove the feeling of loneliness but should lessen it and make it more action minded. Instead of a weakness, loneliness must become a constructive strength. Understanding and cooperation help.

Because of faster evolution of technical and commercial ideas and developments, because of keener, stronger competition, there is no time to waste. Shortly after it is started, a new company must obtain and avail itself of some of the good characteristics of a larger company. It must do so early in life so as to be able to survive and grow properly. It must soon structure itself and become competitively adequate and able in all lines and in all factors of management. It must learn to foresee — to plan. It must learn how to survive accidents in spite of low momentum and lack of resources. As counsellors, CED staff, directors and friends try to help its portfolio companies during their growth and development.

The opportunities of CED for the future should be greater than they were in the past because:

- The company, thanks to its directors and officers, is more experienced.
- CED is better established — larger — stronger. It is better known. Its methods and its policies are better understood.
- CED is older, which means useful experience in being selective. Experience need not mean lack of imagination or courage.
- CED strives for the proper mixture of experience and youthful, constructive attitudes. A proper blend should be effective.
- CED's portfolio companies are helpful in our work.
- CED's relationships with American Research and Development Corporation, European Enterprises Development Company and Commonwealth Development Finance Company Limited open up world-wide opportunities.
- CED's Board has wide industrial, technical and financial experience and is deeply interested in the company's work.
- CED's officers know their objectives — problems — and pitfalls. CED has an experienced staff in a difficult but constructive business.

We at CED are not financiers, nor are we bankers. We are builders. To say this is not to pass judgment on one profession or another. It is merely to state what we are not and to state with pride what it is we are.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED

967 Sun Life Building, Montreal, Canada
(514) 868-2764

1111 West Hastings Street, Vancouver,
Canada (604) 684-3271

1400 Toronto-Dominion Centre, Toronto,
(416) 366-1035

INSTITUTIONAL STOCKHOLDERS

Alliance Mutual Life Insurance Company

American Research and Development
Corporation

Bank of Montreal

Caisse de Dépôt et Placement du Québec

The Canada Life Assurance Company

Canadian Pacific Investments Ltd.

CDFC Holdings Limited

Confederation Life Association

Crédit Foncier Franco-Canadien

Du Pont of Canada Limited Pension
Trust Fund

The Excelsior Life Insurance Company

The Great-West Life Assurance Company

Harris & Partners Limited

The Imperial Life Assurance Company
of Canada

Industrial Acceptance Corporation

Industrial Life Insurance Company

The London Life Insurance Company

The Manufacturers Life Insurance
Company

The Monarch Life Assurance Company

The Mutual Life Assurance Company
of Canada

Nesbitt, Thomson and Company Limited

The Royal Trust Company

Strength Finance & Development Co.
of Canada Ltd.

Succession Honorable J. Marcelin Wilson

Sun Life Assurance Company of Canada

Technical Development Capital Limited

The Toronto-Dominion Bank

DIRECTORS

HERBERT H. LANK

Chairman of the Board
Director, *Du Pont of Canada Limited*, Montreal

ALISTAIR M. CAMPBELL, F.I.A., F.S.A.

Chairman, *Executive Committee*
Chairman, *Sun Life Assurance Company of Canada*, Montreal

GERALD D. SUTTON

President, *Canadian Enterprise Development Corporation Limited*, Montreal

SIR GEORGE BOLTON, K.C.M.G.

Honorary President, *Bank of London and South America Limited*, London, England

GEORGES F. DORIOT, C.B.E., D.S.M., C.L.H.

President, *American Research and Development Corporation*, Boston

ROBERT M. FOWLER

President, *Canadian Pulp and Paper Association*, Montreal

G. H. D. HOBBS

Chairman, *Western Canada Steel Limited*, Vancouver

JOSEPH JEFFERY, O.B.E., Q.C.

Chairman, *The London Life Insurance Company*, London, Ontario

DOUGLAS N. KENDALL, O.B.E., F.R.G.S.

President, *Kenting Limited*, Toronto

MICHAEL M. KOERNER

President, *Canada Overseas Investments Limited*, Toronto

BERNARD LECHARTIER

Director, *Bank of Montreal*, Montreal

ALEXANDER G. LESTER

Director, *Northern Electric Company Limited*, Montreal

ALFRED T. SEEDHOUSE

President, *The Manufacturers Life Insurance Company*, Toronto

OFFICERS AND STAFF

HERBERT H. LANK

Chairman of the Board

ALISTAIR M. CAMPBELL

Chairman of the Executive Committee

GERALD D. SUTTON

President

DEREK H. MATHER

Vice President, Secretary and Treasurer

BURKE C. CORBET

Assistant Vice President

PETER G. BARR

Quebec Associate

RICHARD BURKE

Western Associate

D. B. LANGFORD

Ontario Associate

CED Board of Directors



AMERICAN RESEARCH AND DEVELOPMENT CORPORATION

The John Hancock Building
Boston, Massachusetts
(617) 426-7060

ARD was formed in 1946 with an initial capital of \$3.4 million and has since participated in the development of more than 100 companies. At the end of 1970 it had investments in 47 companies valued at \$313 million, covering a variety of industries including electronics, pharmaceuticals, publishing, industrial control systems, optics and chemicals. The four largest holdings at the end of 1970 were in Digital Equipment Corporation, Teradyne Incorporated, Teledyne Incorporated and Cooper Laboratories. In 1961 ARD became the first company of its kind to have its shares listed on the New York Exchange.

BOARD OF DIRECTORS OF ARD

GEORGE P. BAKER,
Retired Dean, Harvard University
Graduate School of Business Administration.

GENE K. BEARE,
Executive Vice-President — Manufacturing and Director,
General Telephone & Electronics Corporation.

GERHARD D. BLEICKEN,
Chairman and Chief Executive Officer,
John Hancock Mutual Life Insurance Company.

ALISTAIR M. CAMPBELL,
Chairman, *Sun Life Assurance Company of Canada.*

H. D. DOAN,
Retired President, *The Dow Chemical Company.*

GEORGES F. DORIOT,
President, *American Research and
Development Corporation.*

BYRON K. ELLIOTT,
Retired President and Chairman,
John Hancock Mutual Life Insurance Company.

LONGSTREET HINTON,
Chairman, Committee on Trust Matters and Director,
Morgan Guaranty Trust Company of New York.

M. C. KAPLAN,
Chairman Executive Committee and Director,
United Brands Co.

DAVID L. LUKE,
Retired Chairman, *Westvaco Corporation.*

JOHN A. LUNN,
Director, *Trans-Sonics Inc.*

G. WILLIAM MILLER,
President, *Textron Inc.*

KENNETH H. OLSEN,
President, *Digital Equipment Corporation.*

DWIGHT P. ROBINSON, JR.,
Consultant, *Massachusetts Financial Services, Inc.*

WILLIAM H. WENDEL,
President, *The Carborundum Company.*

HONORARY DIRECTORS

PAUL F. CLARK

OSCAR W. HAUSSERMANN

WARREN MOTLEY

LESSING J. ROSENWALD

OFFICERS AND STAFF OF ARD

GEORGES F. DORIOT,
President.

WILLIAM H. CONGLETON,
Senior Vice President.

DOROTHY E. ROWE,
Senior Vice President,
Secretary and Treasurer.

JOHN A. SHANE,
Senior Vice President.

JAMES F. MORGAN,
Vice President.

CHARLES J. COULTER,
Vice President.

DANIEL J. HOLLAND,
Assistant Vice President.

PATRICIA A. CLARK,
Assistant Secretary and Assistant Treasurer.

GROVER ELLIS,
*233 Bryn Mawr Circle,
Houston, Texas 77024, 713-465-3780*
Southwestern Correspondent.

ROBERT E. RHODES,
*Suite 3139
Union Bank Square
445 S. Figueroa St.
Los Angeles
California Correspondent.
213-689-4420*

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ARD Board of Directors



**EUROPEAN ENTERPRISES
DEVELOPMENT COMPANY,
EED, S.A.**

38, rue du General Foy, Paris 8°, France
387 33-59

37, rue Notre Dame, Luxembourg

EED was organized in 1963 with objectives and policies similar to those of ARD and CED. At December 31, 1970 EED had a capital and surplus of \$17.6 million (U.S.) EED has invested in 30 companies located in 10 European countries. Through its 60 shareholder financial institutions, EED has representatives in 15 European countries.

DIRECTORS

LOUIS ARMAND

Member of the *Académie Française*, Paris
Honorary President, *Société Nationale des Chemins de Fer Français* and *Euratom*

THIERRY BARBEY

Partner, *Lombard, Odier & Cie.*, Geneva

CARLO BOMBIERI

Managing Director, *Banca Commerciale Italiana*, Milan

FERNAND COLLIN

Chairman, *Kredietbank S. A.*, Brussels

GEORGES F. DORIOT

Chairman of the Board

President, *American Research and Development Corporation*, Boston

JEAN GUEROULT

Executive Vice President, *European Enterprises Development Company*, Paris

HEINRICH JAKOPP

Konsul, *Dr. Ing. e.h., Dr.h.c.*, Cologne

CLAUDE JANSSEN

Vice President, *Banque Worms et Cie.*, Paris

CHRISTIAN F. KARSTEN

Managing Director, *Amsterdam-Rotterdam Bank N.V.*, Amsterdam

JOHAN MELANDER

Managing Director, *Den norske Creditbank*, Oslo

MAURICE SCHLOGEL

Director and General Manager, *Crédit Lyonnais*, Paris

LORD SHAWCROSS

Morgan Guaranty Trust Company, London

ARNAUD F. de VITRY

Chairman, *Dunlop S.A.*, Paris

EED

OFFICERS AND STAFF

ARNAUD F. de VITRY
President

JEAN GUEROULT
Executive Vice President

BRUNO ROUX de BEZIEUX
Manager

PHILIPPE de VENDEUVRE
Management Associate

ALAIN M. RONDEST
Staff Associate

LISTER VICKERY
Staff Associate

ALAIN de CHAMBURE
Staff Associate

PIERRE CASIMIR-LAMBERT
Management Adviser

NELLY CORRET
Administration Officer

MARIE-JOSE TAUBE
Staff Associate

CEES SCHOUTEN
Staff Associate

VINCENT DEBRE
Staff Associate

JOEL de ROSNAY
Scientific Adviser

RANDOLF HARTMANN
EED Bureau in Germany

EED Board of Directors



**COMMONWEALTH DEVELOPMENT
FINANCE COMPANY
LIMITED (CDFC)**

1 Union Court, Old Broad Street,
London, E.C. 2, England.
01-283-9571

CDFC was established in 1953 to provide finance for economic development and business enterprise in Commonwealth countries. The shareholders of CDFC comprise over 160 leading companies, broadly representative of British industry and the City of London. They include the Bank of England and the Central Banks of a number of other Commonwealth countries.

CDFC has investments worth more than \$65 million in over 100 businesses in 29 different countries covering a wide range of industry. Its investment activity now includes countries other than Commonwealth countries.

DIRECTORS OF CDFC

B. BERKOFF,
Managing Director, *Commonwealth Development
Finance Company Limited*

SIR GEORGE BOLTON, K.C.M.G.,
Honorary President, *Bank of London and
South American Limited*

R. G. DYSON,
Deputy Chairman, *Barclays Bank DCO*

THE EARL OF INCHCAPE,
Chairman, *Inchcape Co. Ltd.*

SIR DUNCAN OPPENHEIM,
President, *British American Tobacco Company Limited*
Director, *Lloyds Bank Limited*

H. F. OPPENHEIMER,
Chairman, *Anglo American Corporation
of South Africa Limited*

J. G. PHILLIMORE, C.M.G.,
Managing Director, *Baring Brothers & Co. Limited*

SIR ERIC ROLL, K.C.M.G., C.B.,
Director, *Bank of England*

Dr. E. G. WOODROOFE,
Chairman, *Unilever Limited*

SIR RICHARD YOUNG,
Chairman, *Alfred Herbert Limited*

OFFICERS AND STAFF OF CDFC

SIR GEORGE BOLTON,
Chairman

SIR DUNCAN OPPENHEIM,
Deputy Chairman

B. BERKOFF,
Managing Director

D. F. PEARL, C.B.E.,
Area Director

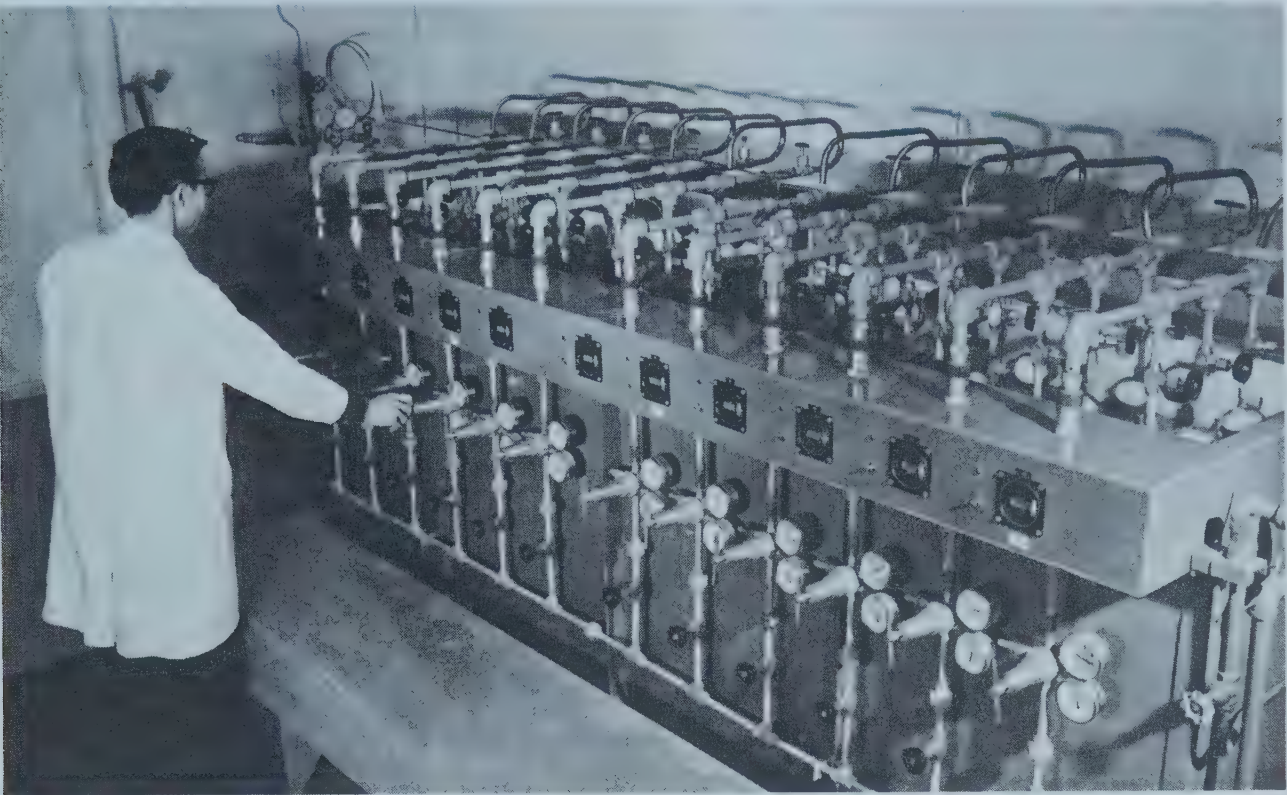
G. W. ROTHERY, O.B.E., M.C.,
Area Director

D. A. WIGHTON, C.A.,
Secretary

P. R. GROSSEY,
Regional Director, S.E.Asia

K. J. NORMAN,
Regional Director, Arabian and Latin America

The "long-term hydrostatic pressure testing apparatus" shown is part of Magadyne's testing equipment to ensure that its polyvinyl chloride pipe used in the transmission of natural gas, water and other liquids is of the highest quality.



This master control and display console is part of a supervisory control system built for the Micoua Development of Hydro-Quebec by Central Dynamics Ltd.



PORTFOLIO COMPANIES

A & W DRIVE-INS (FUNDY) CO. LTD.,
816 - 301 Dixon Road, Weston 625, Ont.
Tel.: 416-247-0100
Owns and operates a group of drive-in restaurants in Northern Ontario and the Maritime Provinces and is developing a new restaurant concept under its own trade name in central Canada.

ADVANCED TRANSDUCER SYSTEMS LTD.
333 Bering St., Toronto, Ont.
Tel.: 416-233-5535
Manufactures and markets equipment to the process instrumentation, data processing and Canadian nuclear markets.

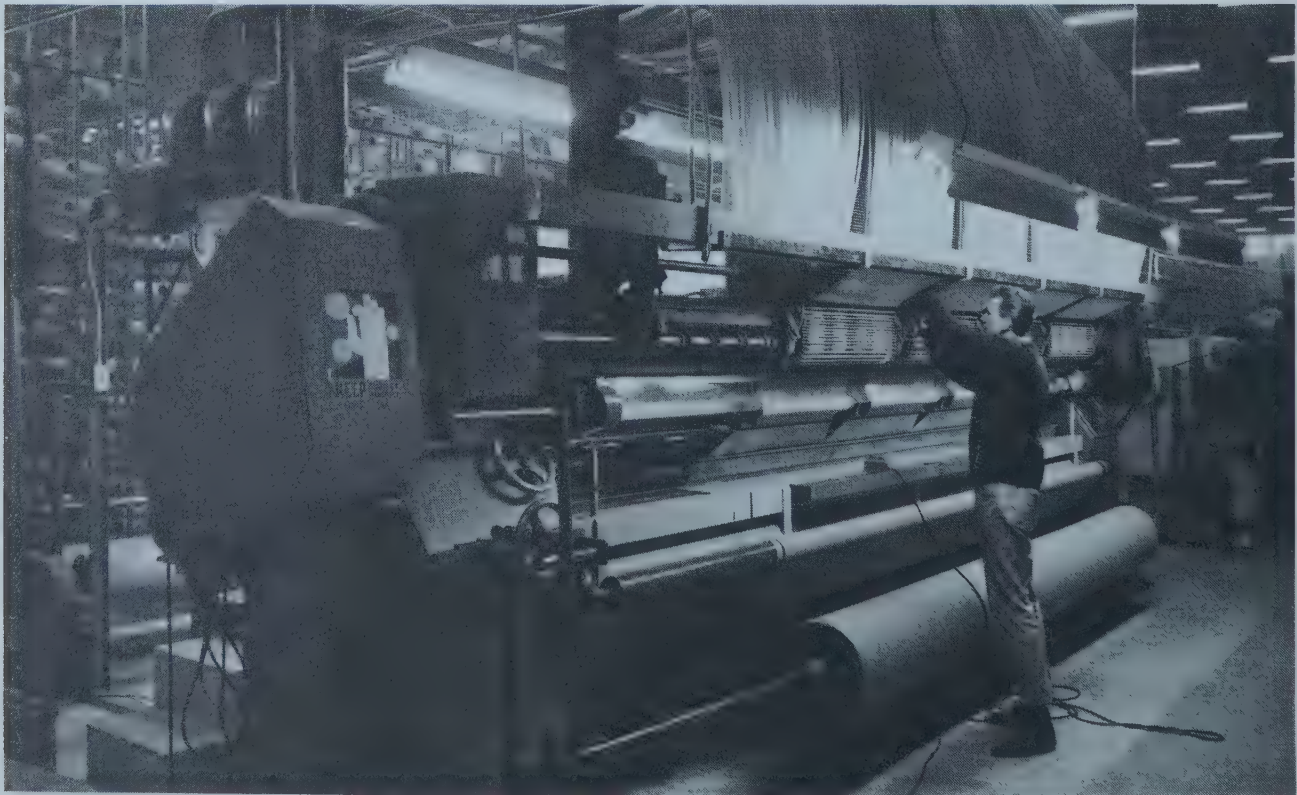
*BAY MILLS LIMITED,
1 Hugel Avenue E., Midland, Ontario
Tel.: 705-526-7867
Fabricator of fibreglass products and non-woven materials.

CANENDEV INVESTMENTS LIMITED,
967 Sun Life Building, Montreal, P.Q.
Wholly-owned investment-subsidiary of CED.

*CENTRAL DYNAMICS LTD.,
147 Hymus Blvd., Pointe Claire, Quebec
Tel.: 514-697-0810
Manufacturer of advanced electronic equipment for video broadcasting and utilities. A subsidiary manufactures high-speed, remote-batch computer terminals.

* Annual Reports are available from these Companies.

Westmills' carpets, such as that being made on the tufting machine shown below, are finding increasing acceptance in the Western Canadian market.



CRYSTAL CABLEVISION, INC.,
524 Fifteenth Ave. E., Seattle,
Washington 98102.
Tel.: 206-329-4400
Owns and operates a community antenna
cable T.V. system in Seattle.

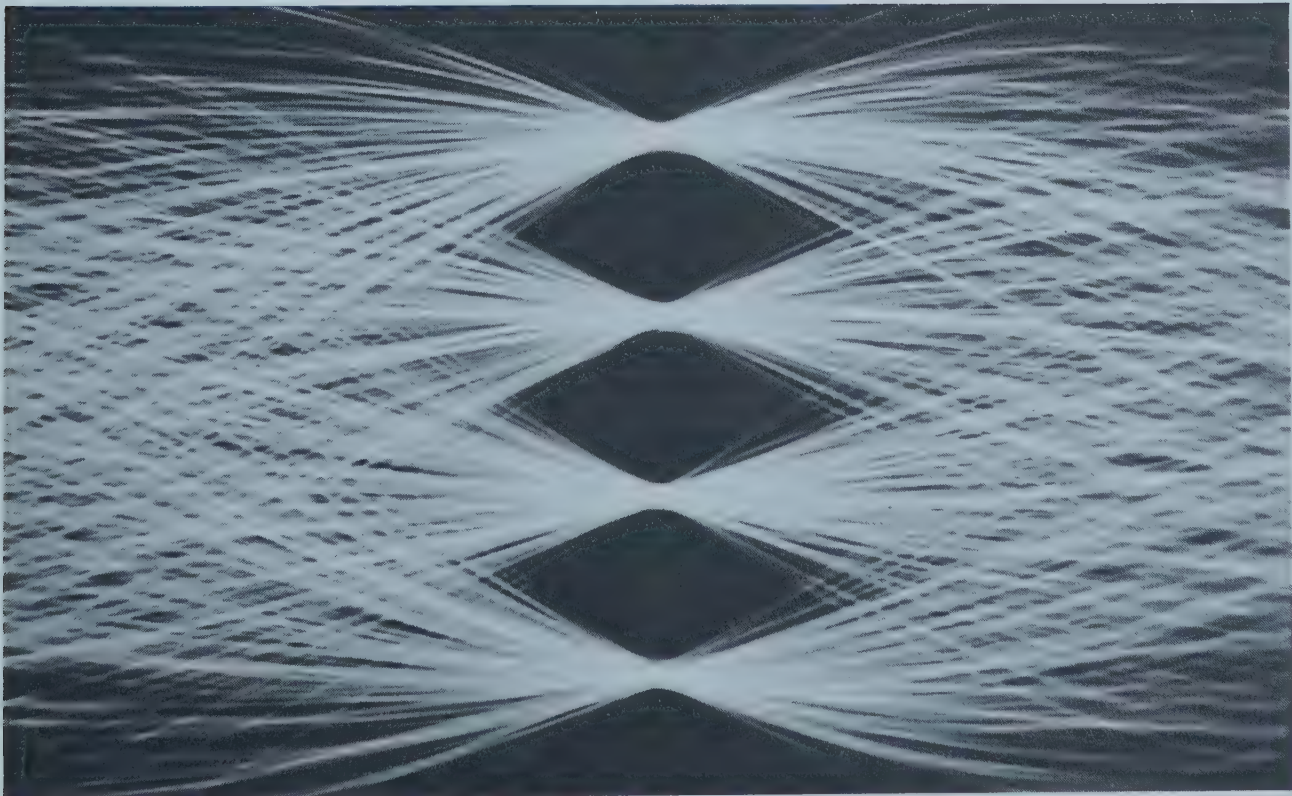
ESE LIMITED,
1780 Albion Road, Rexdale, Ontario
Tel.: 416-749-2271
Manufacturer of data communications
equipment and digital control devices.

* EUROPEAN ENTERPRISES
DEVELOPMENT COMPANY
37, rue Notre Dame, Luxembourg, and
38, rue du Général-Foy, Paris 8. France
Tel.: 387 33-59
European venture capital company with
objectives and policies similar to
those of CED.

* EVANGELINE SAVINGS AND
MORTGAGE COMPANY
198 Water Street, Windsor, Nova Scotia
Tel.: 902-798-8328
New savings and loan company to serve
the Maritime Provinces.

FACEMASTER INTERNATIONAL LIMITED
402 West Pender Street, Vancouver, B.C.
Tel.: 604-688-4628
Company formed to develop new
automatic machine to produce concrete
building blocks with impregnated facings
of stone, quartz, shells or other desired
materials.

*This 4 level "eye" pattern shows accurate transmission of data
with ESE's new high-speed data set, Model 48/QM.*



GLASROCK PRODUCTS OF
CANADA, LTD.

P.O. Box 337, Burlington, Ontario
Tel.: 416-632-8843

Distributor of refractory materials and products including fused silica products for use in the continuous casting of steel and in the glass, metal forming and aero space industries.

HOLBOROUGH INVESTMENTS LIMITED
Suite 1212, 401 Bay Street, Toronto, Ont.
Tel.: 416-366-2706

A company formed to engage in diverse activities in the field of real estate. CED acquired its interest in Holborough through exchange of its shareholding in The Mortgage Insurance Company of Canada.

* LOGISTEC CORPORATION

109 Dalhousie Street, Quebec City, P.Q.
(formerly Quebec Terminals Limited)
Tel.: 418-692-1180

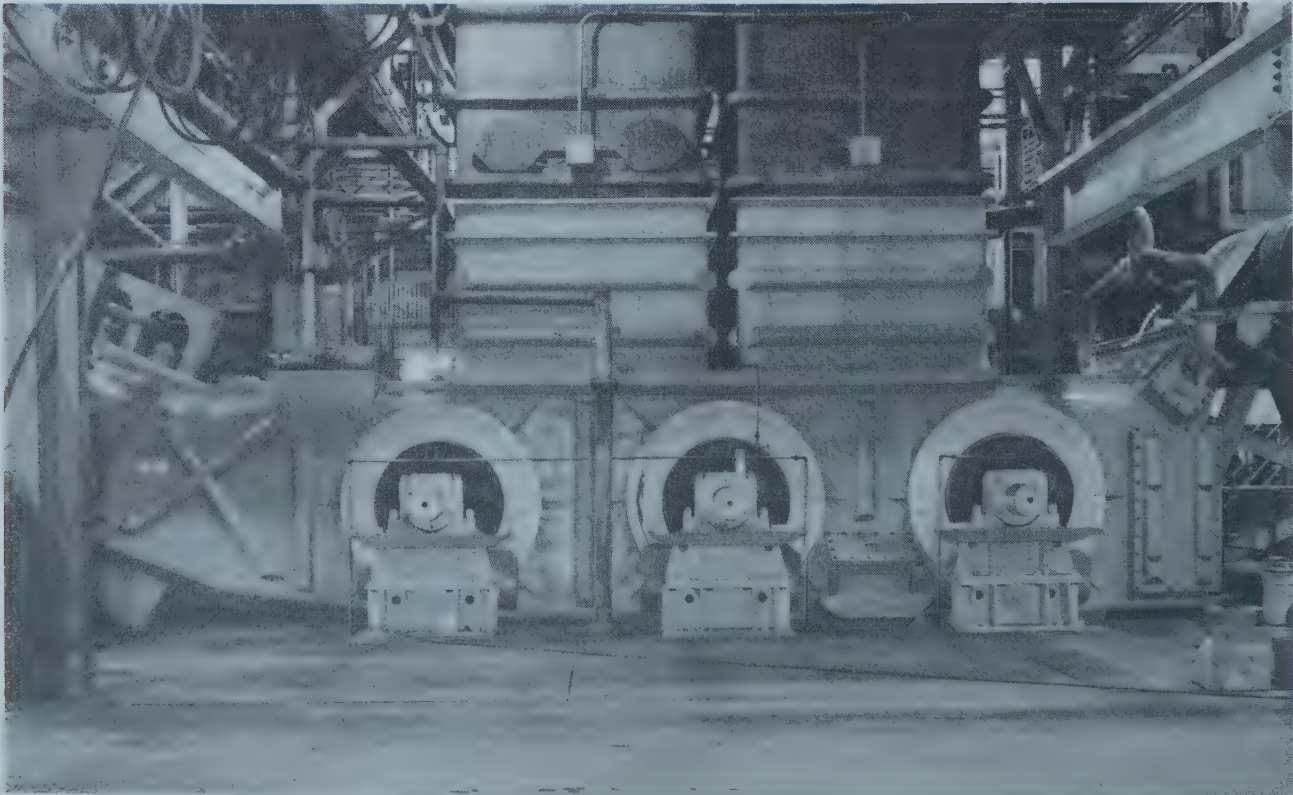
Transportation company engaged in container handling, stevedoring, ship agency business and the bulk trucking of commodities.

* MAGADYNE INDUSTRIES LTD.

6910 - 72 Avenue, Edmonton, Alberta.
(formerly Engineered Plastics Limited and Magadyne Research and Development Limited)
Tel.: 403-466-1176

Manufacturer of polyvinyl chloride flexible pipe and other plastic products. Also conducts research in chemicals and plastics.

Bay Mills reinforcing fibreglass was used to construct this 12,000 pound FRP Laminate pass line tank for a steel company. It replaced a rubber lined steel tank which failed because of corrosion.



STEDFAST SCREW COMPANY LTD.

4950 Des Grandes Prairies,
Montreal, Quebec.
Tel.: 514-325-8010

New company established to manufacture specialty fasteners for electronic, furniture and other industries.

WESTMILLS CARPETS LIMITED

P.O. Box 608, Kelowna, B.C.
Tel.: 604-765-5192

New company to manufacture tufted carpets for the western Canadian market.

VISCOUNT ELECTRONICS LTD.

105 E. 69th Avenue, Vancouver 15, B.C.
Tel.: 604-327-9446

A Vancouver based manufacturer of solid state video and audio switching equipment aimed at the educational television (ETV), industrial closed circuit television (CCTV) and the community antenna television (CATV) markets.



This apartment building to be built in Seattle will be serviced by Crystal Cablevision under its new "safety" program. A person living in the apartment will be able to view on his T.V. screen anyone in the lobby of the building and will be able to trigger an alarm. Crystal's regular cable service is, of course, also provided.

EIGHTH ANNUAL REPORT TO SHAREHOLDERS

Notwithstanding the difficult economic environment, the majority of CED's portfolio companies made good progress during 1970. That they did so is due primarily to the courage, resourcefulness and hard work of their officers and employees. The Directors and staff of CED consider themselves privileged to be associated with such men.

The accompanying financial statements reflect the continued growth in the financial capacity of CED during the year. Share capital was increased by the receipt of \$2,410,250 from the first two instalments of the rights offering to shareholders as described in the 1969 Annual Report. An equal amount is scheduled to be subscribed in 1971. In addition to the receipts from the rights offering our capital was increased through the issuance of 46,500 treasury shares for a total consideration of \$499,875 to a new shareholder, La Caisse de Dépôt et Placement du Québec. La Caisse de Dépôt is a Crown Corporation responsible for the investment of certain public and private funds, primarily those of the Quebec Pension Board.

CED's net asset value per share, at \$10.37 at December 31, 1970, was down from \$13.41 at December 31, 1969. This reduction was caused primarily by net unrealized appreciation declining from \$1,731,438 to \$297,469, while portfolio transactions and write-downs generated additional losses totalling \$399,639.

The valuations placed on securities which are not publicly traded are determined by CED's Board of Directors after consideration of many pertinent factors. Shareholders should recognize, however, that it is difficult to establish values for the shares of young companies in the early stages of growth and should not, therefore, construe these values as those which might ultimately be realized on sale or other disposition, which might be greater or less.

Investment transactions during the year included the addition of two new portfolio companies. Viscount Electronics Limited is a Vancouver based manufacturer of

solid state video and audio switching equipment aimed at the educational television, closed circuit television and community antenna television markets. A&W Drive-Ins (Fundy) Ltd. owns and operates a number of A&W restaurants in the Maritime Provinces and Northern Ontario and, in addition, is engaged in the development of a new chain of restaurants under its own trade name.

As in previous years, much of CED's investment activity was associated with existing portfolio companies. A total of \$378,933 was invested to meet their capital needs. These and other transactions are summarized elsewhere in this Report.

Since the end of 1970 CED has added Advanced Transducer Systems Limited to its list of portfolio companies. Devtek Limited, another portfolio company, was merged with Advanced Transducer Systems Limited and at the same time an investment of capital was made in the latter company. Advanced Transducer Systems Limited is a Toronto based company engaged in the manufacture of specialized nuclear instrumentation and a new line of magnetic tape cleaning equipment.

At a meeting of the Board of Directors held on December 7, 1970, Mr. Lank relinquished the office of President, remaining as Chairman of the Board, and Mr. Gerald D. Sutton was elected President of the Company. Mr. Sutton, who was formerly Vice President and General Manager, has been associated with CED from its inception.

The business environment in 1970 was hardly conducive to the nurturing of young companies. The climate was cool, particularly on the high ground of technology, and there was a lessening in the life-giving flow of new orders that can be hazardous to the fledgling firm. But these conditions were not new; they occur from time to time and must be expected. That is why it is so important for young companies to build up the capability to withstand them as quickly as possible, to build strength into the balance sheet, efficiency in design and production, penetration in marketing and resourcefulness and ability in management. A strong and healthy company

can withstand the rigours of a recession; it can even derive renewed strength from it. A company that is more conscious of the fashion of its clothes and the image it creates than of the sturdiness of its body may find it difficult to survive.

Our task at CED is to identify and work with men who desire to build strong and worthwhile companies. Anyone who reads this report, be he a shareholder, director,

president of a portfolio company or a friend who knows us, must realize that this is an effort from which all of us as Canadians can benefit. You may wish to go out of your way to find individuals with ideas and vision and the ability to transform their vision into a successful enterprise. If you find them, please tell them about CED; we want to meet them and we shall try to help them, for theirs will be the companies of tomorrow.

A Viscount audio and video programmer is shown in use during a program being produced at Vancouver Cablevision's Channel 10 Studio.



PRINCIPAL PORTFOLIO CHANGES DURING 1970

PURCHASES

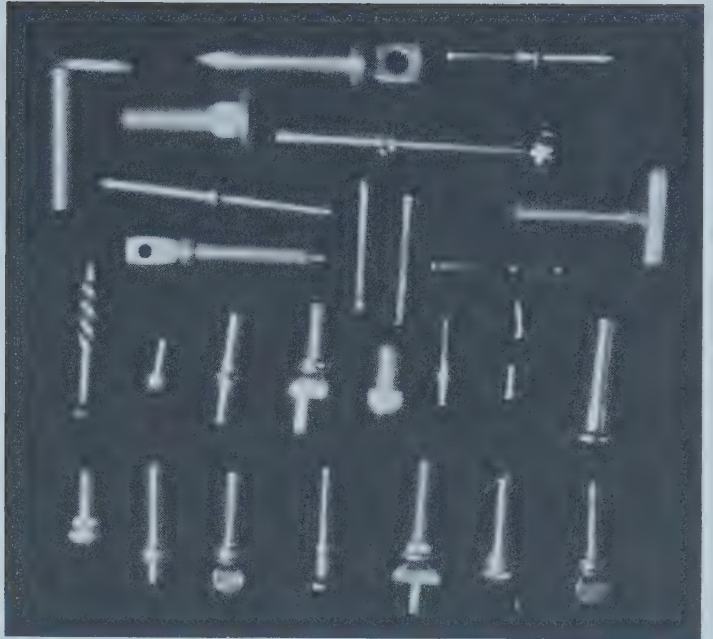
A&W Drive-Ins (Fundy) Ltd.	\$ 200,000	Note with warrants
	191,667	Common shares
Canendev Investments Limited	40,313	Note
Central Dynamics Ltd.	125,000	Debenture with warrants
Crystal Cablevision, Inc.	25,110	Common shares
Devtek Limited	165,000	Notes
Evangeline Savings & Mortgage Co.	13,000	Common shares
Holborough Investments Limited	13,500	Common shares
Viscount Electronics Limited	250,000	Notes with warrants
Westmills Carpets Ltd.	22,010	Common shares
	<u>\$1,045,600</u>	

DISPOSITIONS

Devtek Limited	\$ 231,000	Notes exchanged for \$25,000 in Notes of Advanced Transducer Systems Limited
	233,714	Common shares, written off
Great Northern Airways Ltd.	59,200	Note, of which \$35,228 recovered
	115,800	Common shares, written off
Trans-Pacific Leasing Services Ltd.	173,500	Common shares, sold for \$128,894 cash and \$388,681 in Notes of Trans-Pacific Leasing Inc.
	<u>\$ 813,214</u>	

OTHER PORTFOLIO CHANGES

Advanced Transducer Systems Ltd.	\$ 25,000	Note received in exchange for Notes in Devtek Limited
Bulkley Valley	632,534	Transferred to short-term investments
Logistec Corporation	295,000	Convertible preferred shares acquired in connection with CED rights offering
Trans-Pacific Leasing, Inc.	388,681	Notes acquired in part exchange for sales of common shares of Trans-Pacific Leasing Services Ltd.
Westmills Carpets Ltd.	206,918	Common shares acquired in connection with CED rights offering
	<u>\$1,548,133</u>	



A selection of cold headed specialty fastener products manufactured by Stedfast Screw Company Ltd.

AUDITORS' REPORT

The Shareholders,
Canadian Enterprise Development Corporation Limited.

We have examined the consolidated balance sheet of Canadian Enterprise Development Corporation Limited and subsidiary, Canendev Investments Ltd., as at December 31, 1970 and the consolidated statements of income, retained earnings, and gains and losses for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. It was not practicable for us to substantiate the values, determined by the Board of Directors of the Company, of certain investments for which market quotations were not available.

In our opinion, subject to the determination of the values referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants.

Montreal, Que.
February 4, 1971.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.
(Incorporated under the Canada Corporations Act)
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1970

ASSETS

	1970	1969
Current:		
Cash	\$ 12,528	\$ 119,420
Short-term investments at cost which approximates market	3,112,270	859,726
Accrued revenue and miscellaneous receivables	184,805	95,529
	<u>3,309,603</u>	<u>1,074,675</u>
Investments at market value or fair value as determined by the Directors (Note 2)	5,382,940	6,381,960
Furniture and equipment at cost, less accumulated depreciation	10,072	12,590
	<u>\$8,702,615</u>	<u>\$7,469,225</u>

LIABILITIES

20	Current:		
	Accounts payable and accrued liabilities	\$ 26,266	\$ 14,444

SHAREHOLDERS' EQUITY

Capital stock (Notes 3, 4 and 5)		
Authorized — 2,000,000 shares of no par value		
Issued — 843,625 shares (1969 — 556,100)	8,472,407	5,562,282
Retained earnings	172,171	125,845
Accumulated realized net (losses) gains on investments	(200,195)	45,216
Unrealized appreciation of investments	231,966	1,721,438
	<u>8,676,349</u>	<u>7,454,781</u>
	<u>\$8,702,615</u>	<u>\$7,469,225</u>

On behalf of the Board:

H. H. LANK, Director

G. D. SUTTON, Director

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
Income:		
Income from short-term investments	\$201,773	\$ 79,660
Income from long-term investments, including consulting fees	173,839	200,756
Income from other sources	433	35,100
	<u>376,045</u>	<u>315,516</u>
Expenses: (Note 6)		
Salaries	157,327	126,844
Other expenses	167,091	151,704
	<u>324,418</u>	<u>278,548</u>
Net income before undernoted items	51,627	36,968
Income taxes	5,301	62,000
Net income (loss) before undernoted item	46,326	(25,032)
Reduction in income taxes due to carryforward for tax purposes of prior years' losses	—	62,000
Net income for the year	<u>\$ 46,326</u>	<u>\$ 36,968</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1970

Retained earnings at beginning of year	\$125,845	\$ 89,862
Net income for the year	46,326	36,968
	<u>172,171</u>	<u>126,830</u>
Write-off of incorporation expenses	—	(985)
Retained earnings at end of year	<u>\$172,171</u>	<u>\$125,845</u>

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.

CONSOLIDATED STATEMENT OF GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
Accumulated realized net gains at beginning of year	\$ 45,216	\$45,262
Realized gains for the year	344,075	—
	<u>389,291</u>	<u>45,262</u>
Realized losses for the year	589,486	46
Accumulated realized net (losses) gains at end of year	<u>\$(200,195)</u>	<u>\$45,216</u>

(Income taxes relating to realized losses, to the extent that they have been claimed for tax purposes, have been reflected in the statement of income. Income taxes that would have been payable in respect of 1970, had there been no losses realized during the year, would have been \$68,000.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1970

1. Principles of Consolidation

22 The consolidated financial statements include the accounts of a wholly owned subsidiary, Canendev Investments Ltd.

The accounts of another company in which Canadian Enterprise Development Corporation Limited owns more than 50% of the shares have not been consolidated because of differences in operations: the Company is an investment company whereas the partially owned subsidiary is an operating company.

Statement of Source and Application of Funds

Such a statement has not been included because it would not provide meaningful information.

2. Investments

The investments comprise the following:

	1970		1969	
Investments	Cost	Market or Fair Value	Cost	Market or Fair Value
Quoted shares	\$1,162,668	\$1,456,046	\$ 814,355	\$2,101,107
Unquoted shares	2,209,356	2,320,507	2,273,164	2,931,195
Loans and advances	1,778,950	1,606,387	1,573,003	1,349,658
	<u>\$5,150,974</u>	<u>\$5,382,940</u>	<u>\$4,660,522</u>	<u>\$6,381,960</u>

At December 31, 1970, investments at cost and fair value included \$433,000 for unquoted shares in an unconsolidated subsidiary and \$50,000 for a loan thereto.

In January 1971, Canadian Enterprise Development Corporation Limited sold its investment in another subsidiary for a consideration consisting of a debt security of the purchaser. This transaction was reflected in the accounts as if it had occurred in 1970.

CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED
AND
CANENDEV INVESTMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1970

3. Capital Stock

Changes in the outstanding capital stock of Canadian Enterprise Development Corporation Limited were as follows:

	1970	1969
Outstanding at January 1	\$5,562,282	\$5,551,282
Issued under terms of 1969 offering:		
175,275 shares for cash	1,752,750	
65,750 shares for securities	657,500	
46,500 shares for cash	499,875	
1,100 shares for cash		11,000
Outstanding at December 31	<u>\$8,472,407</u>	<u>\$5,562,282</u>

4. Issue of Capital Stock

Shares of the capital stock of Canadian Enterprise Development Corporation Limited were offered in 1969 for subscription by shareholders, in the proportion of one share for every share previously held, at a price of \$10 per share payable by four equal instalments on January 15, 1970, July 15, 1970, January 15, 1971 and July 15, 1971. 482,050 shares have been subscribed for and 241,025 shares were issued in 1970 under the terms of the offer.

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5. Stock Options

Options have been granted by Canadian Enterprise Development Corporation Limited to certain of its officers to purchase by July 23, 1971 a total of 15,000 shares (1969 - 12,000) of the Company at a price of \$10.04 $\frac{3}{8}$ each, of which 4,000 have been exercised to December 31, 1970.

6. Expenses

Expenses included:	1970	1969
Depreciation	\$ 2,518	\$ 3,142
Remuneration to directors and officers of Canadian Enterprise Development Corporation Limited:		
As directors	6,500	1,500
As officers	65,792	60,333

There were 13 directors during all or part of 1970 (1969 - 14), and 4 officers (1969 - 4) of which 3 were also directors (1969 - 3). No remuneration was paid to directors and officers of Canadian Enterprise Development Corporation Limited by its subsidiaries.



**CANADIAN ENTERPRISE DEVELOPMENT
CORPORATION LIMITED**